

**Heart of the South West Local Enterprise Partnership**  
**LEP Board Paper agenda item 8**

**Report title:** Build Back Better and Clean Growth Update

**Date:** 28 January 2022

**Purpose:** This paper is for **noting**.

**Link to LIS:** Indicate by **bolding** which area the paper links to.

Inclusive Growth		Clean growth		
Energy		Engineering		Digital
Ideas/ Innovation	People/Skills	Infrastructure	Bus. Environment	Places

**Timing:** Ongoing

**Financial Impact:** None

**Decisions requested:** None

**Author and contact details:** Claire Gibson, Head of Delivery  
[claire.gibson@heartofswlep.co.uk](mailto:claire.gibson@heartofswlep.co.uk)

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## **Summary**

This paper provides an update on the progress made towards delivering the Build Back Better transformational opportunities plan together with details of the refresh of the plan that is underway, in part to better integrate the Blueprint for Clean Growth and also to reflect some policy changes since the plan was published in April 2021.

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### **1) Background**

- 1.1 In April 2021, we published the Heart of the South West's Build Back Better plan following consultation with business and the 16 local authority, four university and 10 FE college partners.
- 1.2 Build Back Better is not on its own a recovery plan but is rooted in the ambitious vision of our agreed Local Industrial Strategy (LIS) which identifies Energy, High Value Engineering and Digital as the dynamic heart of our local economy, with opportunities to drive clean and inclusive growth across multiple sectors. The plan focuses on accelerating these

opportunities through the delivery of seven transformational programmes and four enabling programmes.

- 1.3 The Build Back Better plan is increasingly driving the LEP's delivery activity, particularly in relation to our priority sectors. As we develop our business plan for 2022/23 and reflect the emerging policy changes, it is considered the right time to review the plan and refresh it where necessary.
- 1.4 This is coupled with a desire to further embed clean growth in the Build Back Better plan and to simplify the strategic documents we have. We are therefore looking to prioritise the activity in the Blueprint for Clean Growth and ensure it is fully integrated with the Build Back Better plan.

## **2) Transformational Programmes**

- 2.1 There are currently seven transformational opportunities in the Build Back Better plan focussing on the energy future for nuclear and renewable energy; the engineering future for marine, photonics and aerospace; and the digital future for health, tourism, and data analytics and digital innovation. A progress report is provided for each of the programmes below.

### ***Energy Futures***

- 2.2 A new Energy Futures Programme Board has been established, which met for the first time on the 18<sup>th</sup> November 2021. The following purpose and responsibilities of the Board was agreed:
  - To drive delivery of the Energy Futures Build Back Better programme.
  - To provide clear direction and agree priorities.
  - To identify opportunities and help address any challenges.
  - To coordinate activity with multiple partners and share best practice.
  - To monitor progress and review programme risks.
- 2.3 The discussion also focussed on the current challenges and opportunities including the potential for onshore and offshore wind, solar, hydrogen and renewable heat; the challenge of electrifying the transport system; the need for a more strategic approach to investing in the grid network; and the impact of increasing our manufacturing capacity at sites such as the Gravity Enterprise Zone. There was a consensus that the HotSW area will become a bigger consumer of energy and so maximising local clean energy generation to meet this increase in demand should be the priority before seeking to export it. It was also agreed that the remit of the Programme Board should include measures to reduce demand as well as increase supply.
- 2.4 The Programme Board next meets on the 18<sup>th</sup> January 2022 and the discussion will focus on delivery priorities for 2022/23 and preparation for the LEP Board deep dive into energy planned for the 11<sup>th</sup> March 2022.

- 2.5 Other energy activity over the last quarter includes the appointment of Regen to undertake a study to explore the potential opportunity for the HotSW area from the deployment of floating offshore wind (FLOW) in the Celtic Sea. This study is being funded by the LEP in partnership with Devon County, Torridge District and North Devon Councils. The scope of work is as follows:
- i. Identify potential companies across HotSW that could supply into each of the supply chain segments for FLOW.
  - ii. Where there are gaps, identify which parts of the supply chain could be targeted to locate in HotSW.
  - iii. Explore potential port facilities that could provide either a construction or operation and maintenance base for FLOW projects since supply chain activity often clusters around ports.
  - iv. Identify R&D opportunities linked to the strengths of our universities to position the marine cluster at the forefront of this innovation and explore how this activity could directly benefit North Devon and Torridge.
  - v. Understand other potential opportunities such as offshore wind community benefit schemes that could inject further investment in the local area.
  - vi. Identify a series of actions the LEP and our partners could take to secure as much of the economic benefit from the Celtic Sea FLOW opportunity as possible.
- 2.6 We facilitated a meeting for the Great South West LEPs on the 7<sup>th</sup> January 2022 with Western Power Distribution (WPD). They presented their six year business plan from 2023 that aims to transform the energy network to drive net zero by as early as 2028 with a £6.7bn investment, 25% of which will be in the HotSW area. This plan has now been submitted to the energy regulator, Ofgem, for approval. WPD agreed to identify a single point of contact for the Great South West and to share their energy scenarios with us for review. They also agreed to look at the information we have on grid constrained employment sites to establish what, if anything, the LEP can do to help unlock these sites.
- 2.7 The opportunity pipeline for both investment and contracts for regional firms in the nuclear supply chain continues to grow. The live opportunity pipeline is worth more than £75m and there remains £500m worth of opportunities to be procured by EDF. Over the next 12 months the work will continue to shift towards opportunities linked to Mechanical Heating and Ventilation together with Nuclear Island, which have long term potential for export. Over the course of the last 9 months, the rate of contract wins has accelerated and resulted in more than £20m for companies across the whole supply chain programme, of which nearly £8m has been won by companies in the HotSW area. A recent progress report produced by SWMAS has mapped the 800 HotSW companies that have received support from the supply chain programme over the last 5 years. Unsurprisingly, there is a cluster of activity close to the Hinkley Pont C site and in Bridgwater but there has also been significant activity across the whole of Somerset and Devon.
- 2.8 Work has therefore continued to secure funding for the nuclear supply chain and inward investment support service for a further year. SIP has approved £50,000 with match funding expected from EDF, Somerset County Council, West of England Combined Authority and Welsh Government. Conversations are also being held with the National Advanced

Manufacturing Research Centre. We have also now signed an MOU with BEIS for funding from the Nuclear Sector Deal to deliver a UK wide New Nuclear Supply Chain Programme delivered locally via SWMAS and incorporating our current regional service. Originally, this was for the release of monies for the 2021/22 financial year but given we are now in Q4, we have asked BEIS to consider an extension into 22/23.

- 2.9 One other current priority is the green skills study to support the area's retrofit ambitions, which is being led by the South West Energy Hub. Efforts by the Hub to get cross regional support for this project from the seven LEPs have been unsuccessful and so this study is now going ahead with Gloucestershire, Cornwall & Isles of Scilly and HotSW LEPs. The terms of reference have been drafted and we plan to part fund it from the Skills Advisory Panel budget.

### ***Marine***

- 2.10 We have continued to work on the Build Back Better priority to develop a high tech marine cluster focused on autonomous and digital systems, clean propulsion and cyber-secure smart ports. The Ocean Futures Partnership continues to grow and the 5 year plan is nearing completion, which aims to create a global centre of excellence for the testing, development and manufacture of autonomy, digital and clean ocean technologies for the rapidly growing global ocean economy.
- 2.11 The plan includes costed proposals for several strategic projects such as the Maritime Assured Autonomy Testbed led by Lloyd's Register and the National Physical Laboratory to provide the first virtual and physical certification platform to accelerate the adoption of autonomy; a 5G Coastal Highway between Dorset, Plymouth and Falmouth for application across the maritime sector including short sea shipping, aquaculture and floating offshore wind; and a Clean Maritime Charging Network led by the University of Plymouth and building on the DfT funded Marine e-Charging Living Lab project with Princess Yachts.
- 2.12 Supporting delivery of these strategic projects is Ocean Futures' core offer to business - to deliver an innovation service that drives technology development, provide the future skills and workforce development requirements to meet their needs, and stimulate global trade and investment. The plan also includes investment for key enabling infrastructure such as the Ocean Futures Innovation Centre at Oceansgate and Appledore Shipyard Innovation Hub as well as a dedicated Ocean Futures team led by an experienced Director.
- 2.13 Plans are also forming for a strong governance structure to be established akin to a programme board, with responsibility for driving delivery of the 5 Year Plan, identifying collaboration opportunities, securing investment, and ensuring Ocean Futures has a long-lasting economic impact.
- 2.14 Every effort is being made to ensure the Ocean Futures 5 year plan dovetails well with the Plymouth and South Devon Freezone business case. The outline business case for the Freezone was submitted to government in November 2021 with the aim of attracting new inward investment into the area; creating marine, defence, space and high value manufacturing opportunities; and building on the area's capabilities and expertise within these sectors. The Freezone has the potential to unlock significant employment land and

job opportunities for local people and offers a range of tax and custom benefits to locating businesses. The designation would enable innovation, develop local supply chains across the broader HotSW economy and support a range of technical and high-level qualifications to grow a local talent pipeline.

- 2.15 Work is now progressing on development of a full business case by April 2022. This work is significant and requires additional capacity and expertise from a range of technical experts. Guidance is also still evolving from government, adding further capacity pressures on the delivery team and their consultants. The cost of developing the full business case is almost £1.8m which covers consultancy for business case writing, economic modelling, resources for financial modelling, advice on customs zones and operations, stakeholder engagement event, and scenario planning for infrastructure and transport works for the three tax and custom zones sites. We have approved a revenue loan of up to £228,000 to Plymouth City Council to help develop the Freezone business case.

### **Photonics**

- 2.16 Photonics is a £13.5bn industry in the UK and microelectronics is as least as large again, with both projected to grow by more than 20% by 2025. There is a strong and established cluster of 174 companies, employing over 3,000 highly skilled people across the HotSW area. The Build Back Better plan also recognises how this sector underpins growth in digital and autonomous systems, two other important areas of focus for us.
- 2.17 Delivery is being driven by the High Tech Cluster, which identified a clear set of priorities early in the year. This included a focus on delivering a Microelectronics and Photonics Innovation Hub, connecting to national innovation centres and delivering regional and national capability. Torbay's Levelling Up Fund bid was a key part of this, which unfortunately was not successful. The cluster continues to see this as a priority and will explore alternative funding options. Developing industry defined high level skills with leading local universities and colleges is a second priority and substantial progress is being made in this area. South Devon College is progressing a new Level 5 Photonics Systems short course, which has recently completed another stage of the formal approval process, and the proposed FdSc Engineering (Electronics & Photonics) degree programme reached a key milestone in the approval process in December. The sector skills lead at South Devon College is also developing important collaborations with key businesses across the sector, with 43 staff in a number of businesses attending various training courses at the College.
- 2.18 Following the launch of the High Potential Opportunity (HPO) in photonics and microelectronics last year, the team at TDA and the Electronics and Photonics Innovation Centre (EPIC), working with the cluster, have targeted three international exhibitions to promote our offer – Photonex in Glasgow, the Photonics International Conference in Brussels, and the Photonics West exhibition in San Francisco, which is the world's largest annual photonics technologies event.

## **Sustainable Aviation**

2.19 The aim of this transformational programme is to deliver a Future of Flight Programme for sustainable aviation technologies and fuels. We have established a new programme board which has met three times and agreed the following vision:

*“To position the Heart of the South West to take advantage of the global ambition to decarbonise the aerospace and aviation sector, exploiting our strengths in developing new markets in electrical and hydrogen propulsion and maximising digital innovation leading to smart and sustainable solutions.”*

2.20 The Programme Board has facilitated the following activity during the last quarter:

- Held a deep dive session into the Exeter Aerospace eco-system, focussing on how the assets in that area support future developments for sustainable aviation.
- Planned a similar session for the Yeovil eco-system on the 1<sup>st</sup> February.
- Worked with the Connecting Places Catapult to understand how their programme on Zero Emission Flight Infrastructure, in collaboration with DfT, will help realise the infrastructure changes required at airports and airfields to prepare for hydrogen-powered and battery electric aircraft.
- Developed a specification for a feasibility study into the Heart of the South West's smart and sustainable aviation/ aerospace test and demonstration facilities.

2.21 Other key aerospace activity this quarter includes supporting the existing 2Zero Team (led by Ampaire) to submit a bid for Phase 3 of the Future Flight Challenge. If successful, the project will build on the 2ZERO Future Flight Phase 2 demonstration of a 6-seat hybrid-electric aircraft and scale up to a 9-seat hybrid eSTOL (electric Short Take-Off and Landing) aircraft "Outlander". Modelling and simulation will optimise aircraft fleet deployment for this class of hybrid-electric aircraft and will uncover the system-wide changes needed for green and economically viable operations. This includes new standards and regulations for certification, airport infrastructure, demand management for renewable ground power and Sustainable Aviation Fuels (storage, distribution, and charging), ground operations and connecting UK aviation routes to other modes of sustainable transportation, where possible.

2.22 Other activity coming up includes:

- iAero Innovation Centre will be having its official opening on 22<sup>nd</sup> February.
- Smart and Sustainable Aviation High Potential Opportunity is due to be launched with a series of webinars to DIT Overseas Posts in March.
- We are supporting the West of England LSIP to hold a digitalisation in aviation seminar with Leonardo Helicopters, some of their SME supply chain companies and Yeovil College in February.

## **Digital**

2.23 The aim of the digital programme is to tackle economic and societal challenges through analytics and digital innovation. Following the Board's agreement to invest £2.6m of the new £8m Digital Investment Programme in delivering the Build Back Better plan, we have



issued a call for expressions of interest by the 9<sup>th</sup> February for proposals that could deliver four particular outcomes:

- i. Growth in the environmental intelligence market, exploiting the area's data and research capabilities.
- ii. Maximisation of clean growth applications from marine geospatial innovation.
- iii. Reduced emissions from agriculture through the acceleration of development, commercialisation and dissemination of data analytics and AI technologies.
- iv. Increased innovation through 5G, with a particular focus on delivering net zero ambitions

2.24 £2m capital funding has been made available for one or more projects. The expressions of interest will be appraised during February and a business case will then be invited from the shortlisted applications early in March. The final investment decision is expected in June.

2.25 A new Digital Programme Board is now being established to oversee this investment together with the other elements of the Digital Investment Programme. This includes the £1.5m digital skills programme that SIP recently approved, and which Devon County Council is delivering on our behalf, and the £0.5m investment also approved by SIP for dedicated digital expertise within the Growth Hub and development of a Digital Knowledge Hub. It is also hoped that a further £0.5m investment from this programme can be made to improve the data available for the tourism sector (see below for more information).

### ***Health-Tech***

2.26 The aim of the Build Back Better Health-Tech programme is to position the Heart of the South West as a health technology pioneer. The University of Plymouth is leading this work on our behalf with a particular focus on the challenges presented by the area's ageing demographic and opportunity to establish a regional demonstrator project that will support the user-led design and adoption of digital health technologies across the region that are not found elsewhere in the UK. Unfortunately, it has taken a while to form a South West group to drive this activity forward but it is hoped that a renewed focus will ensure this activity can move forward over the next 3-6 months.

### ***Tourism***

2.27 Delivery of the Build Back Better tourism programme is overseen by the Great South West Tourism Partnership, which last year published Towards 2030: Reimagining the Visitor Economy in the South West. The priorities of the partnership have included gaining support for the plan from DCMS, VisitBritain/VisitEngland and MPs, which has now been achieved. In particular, the partnership is presenting to the Great South West APPG on the 8<sup>th</sup> February and meeting with Simon Jupp, the new chair of the Hospitality and Tourism APPG, on the 21<sup>st</sup> January. Both meetings will focus on the DMO review, key sector issues and asks, and support for Towards 2030. The partnership has also continued lobbying for sector support and government implementation of the DMO review.

2.28 With a particular focus on driving delivery of the Build Back Better tourism programme, which aims to establish a date-led, year-round, green and accessible visitor economy, we have indicated that £0.5m could be made available from the Digital Investment Programme

to develop a Tourism Data Hub. The partnership is currently developing the scope of this, which is also a priority in Towards 2030, with the intention of establishing a sustainable comprehensive data and research programme to support tourism, leisure and hospitality businesses to help drive productivity across the HotSW and provide DMOs/businesses with consistent and valuable data insights into consumer and business behaviours to enable more efficient market targeting and product development to drive recovery post-Covid. A business case is expected from the partnership by the end of January, with Plymouth City Council as the accountable body, and a recommendation will be presented to SIP in early March.

- 2.29 Other activity includes support from TDA to DCMS and the DMOs to set up and circulate a national impact survey, the results of which will now be directly shared with HM Treasury. The headlines are that uncertainty remains across the sector in the South West and as of the start of 2022:
- 44% of businesses have seen revenue decline by over 50% and 70% of businesses have seen a decline by over 20% (compared to pre-Covid)
  - 23% of businesses have had cancellation rates of over 50%, 37% of businesses seeing over 25% (for Q1 2022)
  - 24% of businesses have no cash reserves and 60% of businesses have less than two months.
  - This indicates 36% of businesses are at least quite likely to fail.
- 2.30 The partnership also plans to feed into the Government's Unregulated Accommodation Statutory Registration consultation as prior to Covid, DCMS had been planning to explore the merits and feasibility of introducing a Tourist Accommodation Registration Scheme. The government intends to publish a call for evidence on matters associated with short term holiday lettings in early 2022 and the partners are keen to assist in developing proportionate, evidence-based policy options. A subsequent government consultation is expected in June.
- 3) Build Back Better Plan Refresh**
- 3.1 We are currently refreshing the Build Back Better plan to ensure we are focussed on delivering the right priorities going into the new financial year.
- 3.2 The first part of this review is to embed the Blueprint for Clean Growth into the plan, reflecting our increasing focus on this opportunity and our Race to Zero pledge to achieve net zero in the 2040s or sooner. This can be done relatively easily as many of our clean growth priorities can be folded into the existing Build Back Better transformational and enabling programmes.
- 3.3 The second part of the review is to reflect some policy changes since the plan was published in April 2021. This includes the government's Net Zero Strategy published in October, the Innovation Strategy issued in July and Innovate UK's plan for Building the Future Economy published in November. We will also wait for the Levelling Up White Paper before completing this refresh.



- 3.4 The final part of the review is to reflect the growing recognition that if the agricultural transition underway is managed well and has the right provision of support for farmers and landholders, it could be transformational and should therefore be built into the plan. Consequently a new transformational programme has been added, incorporating our natural capital activity. The aim of this new programme is to develop the Heart of the South West as a test bed for new food and farming practices and nature based solutions. A series of key actions have been identified including:
- Providing a one stop shop for targeted advice on a whole farm basis to enable the take up of the new ELM scheme and other funding opportunities whilst also accessing other business support services that will improve the sector's resilience and productivity, at the same time as reducing its carbon footprint.
  - Acting on the recommendations of the public sector food procurement research by supporting dynamic purchasing platforms and proposals that will increase local processing of key food products.
  - Investing the £1 million Natural Capital Demonstration Fund in a way that tests innovative finance mechanisms for natural capital projects linked to a new and verified Heart of the South West green and blue carbon offset scheme.
- 3.5 We have also been reflecting on a stronger governance framework for delivery of the Build Back Better plan within our operating model. As previously highlighted, we have established programme boards for three of the areas of focus - energy, aviation and digital – and the proposal is for Board members to chair these. Where we are working with existing partnerships to deliver other programmes – marine (Ocean Futures), photonics (High Tech Cluster) and tourism (Great South West Tourism Partnership) – we will ensure a link back to the Board is maintained either through regular progress reports such as this paper or through direct Board member involvement, as is already the case with the Great South West Tourism Partnership.